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DEPARTMENT PLEASE PASS TO USDOT FOR SECRETARY PETERS

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SUBJECT: SECRETARY TELLEZ CALLS FOR FAST ACTION ON BORDER CROSSING PERMIT

REF: CIUDAD JUAREZ 641

1. Summary: During a September 30 meeting organized by Governor Bill Richardson to discuss a proposed international railroad crossing at Santa Teresa, New Mexico, Mexican Secretary of Communications and Transportation Luis Tellez Kuenzler said he hoped a "conditional" presidential permit for the crossing would be issued by the U.S. Government before the end of the current administration. Tellez said the "project has to be approved and under construction next year; otherwise it is not viable." Tellez said the USG should issue a permit by January as a sign of good faith toward the Mexican government, and that he would take up the issue during the October 6 visit to Mexico City of Secretary of Transportation Mary Peters. Tellez committed Mexican federal government financial support for engineering, environmental and economic feasibility studies required as part of the permit process. The proposed port of entry and an associated rail bypass of Ciudad Juarez have the strong support of the mayors of Juarez and El Paso, and the governors of Chihuahua and New Mexico, and are components of President Calderon's national infrastructure plan. Support for the bypass and border crossing proposals by U.S. and Mexican railways, however, is lukewarm at best. End summary.

2. On September 30, Governor Bill Richardson of New Mexico hosted a meeting in Santa Teresa to discuss a timetable for the proposed Geronimo/Santa Teresa rail bypass and international border crossing. Among those in attendance were Luis Tellez Kuenzler, Mexico's Secretary of Communications and Transportation; Chihuahua Governor Jose Reyes Baeza Terrazas; Ciudad Juarez Mayor Jose Reyes Ferriz; El Paso Mayor John Cook; Greg Bloom, representing U.S. Senator Jeff Bingaman (NM); and representatives from Ferrocarril Mexicano (Ferromex), Burlington Northern Santa Fe (BNSF) and Union Pacific.

PLAN OF ACTION

3. The roundtable discussion produced a four-point action plan for moving the project forward. These are: to obtain financial support for the project from federal, state and local governments on both sides, as well as the three major rail lines; to form a working group to spearhead the project; to pursue a presidential permit as soon as possible; and to jointly fund the environmental, engineering and economic feasibility studies that form part of the presidential permit process. Secretary Tellez committed the Mexican federal government to help fund these studies. Governor Richardson thought that federal funds from a border infrastructure program championed by Senators Bingaman and Domenici could be applied to the studies, and he extracted promises from BNSF and Union Pacific to help pay for the studies, as well.

4. Governor Richardson, Secretary Tellez, Governor Baeza and other speakers stressed the importance of obtaining the necessary presidential permit as soon as possible. Secretary Tellez specifically asked if a conditional presidential permit could be obtained which would allow construction to begin while the "full" permit is being processed. Joseph de la Rossa of the New Mexico Department of Transportation responded that he had reviewed the information regarding presidential permits, and he thought that obtaining a conditional presidential permit was possible. (Note: in subsequent conversations with Consulate

officers, WHA/MEX pointed out that all presidential permits are conditional as initially issued, and that any action on a permit application was dependent on the completion of at least an environmental assessment of the impact of the proposed border crossing.)

GOVERNMENTS HOT ON NEW CROSSING; RAILROADS LUKEWARM

15. Secretary Tellez, Governor Baeza and Ciudad Juarez Mayor Reyes Ferriz all reiterated their respective governments' support for the rail bypass project and border crossing. Governor Baeza said that, in a conversation two weeks earlier, President Calderon had reaffirmed his support for the project as part of his infrastructure program. Baeza further stated that Calderon said he did not support an alternate plan to upgrade existing rail lines through downtown Ciudad Juarez into El Paso.

This alternate plan would require construction of overpasses in Ciudad Juarez to accommodate additional rail traffic. El Paso Mayor Cook expressed his support for the new crossing. Cook said trains on the existing El Paso/Juarez route already disrupt emergency vehicle access to the city's border neighborhoods, especially when the trains are stopped for customs formalities, and he would not support any project that would result in even more rail traffic on the existing line.

16. Governor Richardson pushed hard for the railroad companies to commit funding for the rail bypass and international crossing. BNSF Vice President for Network Development Pete Rickershauser would not promise company support for a bypass and crossing until an economic feasibility study had been completed, but pledged to help pay for the study. Rickershauser said that in the nearer term, BNSF wanted to find a way to move more freight on the existing lines through Ciudad Juarez. He said the existing El Paso/Juarez corridor was BNSF's "most important international crossing." Union Pacific Senior Vice President of Corporate Relations Bob Turner said Union Pacific had already invested USD 300 million in the Santa Teresa region with construction of a new refueling facility in Strauss, New Mexico, and that further investment would depend on the results of the feasibility study. Turner said Union Pacific's current north/south traffic in the region is not a major source of revenue, and that the company made its money with its east/west routes. Ferromex Chief Operating Officer Lorenzo Reyes Retana presented his company's plan to invest USD 70 million in the Ciudad Juarez region, but did not indicate if the funding was specifically for the rail bypass or for upgrades to the existing lines through Ciudad Juarez. (Note: Ferromex is partially owned by Union Pacific, but BNSF is its largest customer in the region.)

17. Comment: Governor Richardson's personal involvement and that of Secretary Tellez improves the chances that the rail bypass and border crossing projects will move forward. Still, the meeting's participants had widely different estimates about timing and requirements for obtaining a presidential permit, and absent from the table were USG agencies that might have provided clarity, such as the General Services Administration and the Environmental Protection Agency. Jaime Campos, Executive Director of the New Mexico Border Authority, told a Consulate officer that the government of New Mexico thought that inviting those agencies would have been "premature." The result was a set of muddled expectations, to which USDOT Secretary Peters may have to respond during her visit to Mexico City on October 6.

MCGRATH